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SUBJECT: ECUADOR ECON WEEKLY: NEW OIL ARBITRATION CASES; IDB LOANS;
REGIONAL ARBITRATION FORUM

Reftel: Quito 349

¶11. (U) The following is a weekly economic update for Ecuador that reports notable developments that are not reported by individual cables.

Two New Oil Arbitration Cases

¶12. (U) Ecuadorian press reported that French petroleum company Perenco and its U.S. partner, Burlington, filed for international arbitration contesting the windfall income tax, on April 21 and 30 (Burlington is owned by ConocoPhillips - reftel). The arbitration claims were filed before the World Bank's International Centre for Settlement of investment Disputes (ICSID). Ecuador currently faces arbitration demands from U.S. petroleum companies City Oriente, Occidental Petroleum, and Murphy Oil. Other petroleum operators from Spain, Brazil, and China are rumored to be considering arbitration over the petroleum law.

New IDB Loans to Ecuador

¶13. (U) On May 16, the Inter-American Development Bank (IDB) announced that it will lend Ecuador up to USD 1.2 billion for infrastructure projects, as well as a substantial loan to renovate Ecuador's state owned oil company Petroecuador, over the next four years. It also approved a 6-year loan of USD 50 million to Banco de Pichincha, Ecuador's leading commercial bank, to expand financing for housing, small businesses and micro enterprises.

UNASUR Could Set Up Regional Arbitration Body

¶14. (U) Minister of Petroleum and Mines Galo Chiriboga announced that attendees at the first South American Energy Council, held May 8 in Venezuela, agreed that Unasur (the Union of South American Nations) would play a role in establishing an organization to resolve energy investment disputes in the region. (Comment: we understand that Ecuador has proposed, in UNASUR discussions, the establishment of a regional arbitration body, but do not know if there is regional consensus; even if there is, it would be a while before a regional arbitration body is established.) Chiriboga reported that attendees at the meeting, including representatives from Argentina, Bolivia, Brazil, Chile, Columbia, Ecuador, Guyana, Paraguay, Peru, Uruguay, Surinam, and Venezuela, also worked on strategic energy plans.

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